COVENANT UNIVERSITY

TUTORIAL KIT

PROGRAMME: ACCOUNTING

ALPHA SEMESTER

200 LEVEL

Raising A New Generation Of Leaders

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CANAANLAND, KM 10, IDIROKO ROAD
P.M.B 1023, OTA, OGUN STATE, NIGERIA.

TITLE OF EXAMINATION: B.Sc. EXAMINATION
COLLEGE: COLLEGE OF BUSINESS AND SOCIAL SCIENCES
SCHOOL: SCHOOL OF BUSINESS
DEPARTMENT: DEPARTMENT OF ACCOUNTING
SESSION: 2014/2015 **SEMESTER:** ALPHA
COURSE CODE: 211 **CREDIT UNIT:** 3
COURSE TITLE: PRINCIPLES OF FINANCIAL ACCOUNTING I
INSTRUCTION: ANSWER ALL QUESTIONS **TIME:** 3HOURS

SECTION A

1. Companies whose investors have liability limited by the memorandum of association to the amount they pledged to contribute in the event of liquidation are referred to as:
   (a) Companies Limited by Unpaid amount (b) Companies Limited by memorandum
   (c) Companies Limited by Guarantee (d) Companies Limited by Shares
2. Companies whose investors have liability limited by the memorandum of association to the amount unpaid on the shares held by them are referred to as (a) Companies Limited by Unpaid amount (b) Companies Limited by memorandum (c) Companies Limited by Guarantee (d) Companies Limited by Shares
3. Plant & Machinery; Equipment; motor vehicle are classified as (a) Fixed assets (b) Current assets (c) Non-current assets (d) Capital
4. How much interest is to be paid per annum on 10% Debenture loan of N56,000 (a) N5,000 (b) N5,600 (c) N3,500 (d) N2,800
5. Arrange the following current assets in the order in which they would be listed in the statement of financial position: (a) Inventory, Cash, Debtors, Bank (b) Cash, Bank, Inventory, Debtors (c) Cash, Debtors, Inventory, Bank (d) Inventory, Cash, Bank, Debtors
6. How much dividend is to be paid per annum on 100,000 10% Preference shares of 50k each (a) N5,000 (b) N10,000 (c) N15,000 (d) N50,000

7. In accounting for change in partnership it becomes necessary to determine the present value of (a) income and expenses (b) assets and goodwill (c) profit and losses (d) reserves and revenue
8. "A person can be admitted into partnership only with the consent of all the existing partners unless otherwise agreed upon", as stipulated by (a) Company Act 1960 (b) Partnership Act (1952) (c) Company Act 1966 (d) Partnership Act (1932)
9. The ability to earn future profits is termed as (a) capital (b) reserve (c) goodwill (d) revenue
10. Methods of calculating goodwill include (a) Weighted average profits (b) Compound Average Profit (c) Total Average Profit (d) Final Average Profit
11. The profit of the partnership business of Wale & Fred for the last five years is as follows:

₦	
2008	26,000
2009	35,000
2010	42,000
2011	46,000
2012	52,000

The firm intends to admit a new partner on the 1st of January 2013, thus the partners decided to value the goodwill at 2 years' purchase of average profits. Calculate the goodwill? (a) ₦40,200 (b) ₦201,000 (c) ₦100,500 (d) ₦80,400

12. One advantage of operating as a partnership would include (a) Access to a larger amount of initial capital (b) Limited liability for all partners (c) Greater power than a sole trader for decision making (d) Being able to raise capital through share issues
13. In normal trading circumstances, which of the following would not be found in a partner's current account? (a) Goodwill (b) Drawings (c) Interest on drawings (d) Salaries
14. Martin and Ugo are in partnership sharing profits in a 3:2 ratio. Net profit for the year ended 31.12.2012 was N12,000. Interest on capital was allocated as N400 to Martin and N250 to Ugo. Ugo received a partnership salary of N5,000. How much was Martin's share of profit? (a) N4,950 (b) N2,540 (c) N3,810 (d) N3,060
15. The rule in Garner Vs. Murray deals with (a) How profits are to be divided if no prior partner hip agreement exists (b) Writing goodwill off against reserves (c) Rules for

align the admittance of new partners (d) How the debts of insolvent partners are to be cleared

16. Which of the following would not be found in a partnership appropriation account? (a) Interest on capital (b) Interest on loan by partner to partnership (c) Interest on drawings (d) Salaries
17. A company has 100,000 N1 ordinary shares. The directors agreed to pay N42,000 final dividend to ordinary shareholders. How much is the dividend per share? (a) N42 (b) N1.42 (c) N0.42 (d)N4.20
18. A company has issued 50,000, N1 ordinary shares and 60,000 5% preference shares of N1 each. If profits available for dividends are N5,000 and the firm wishes to give out all available profits as dividends then the amount given out per ordinary share would be: (a) N0.06 (b) N0.10 (c) N0.04 C (d) N0.40
19. A correct entry for recording interest on drawings is? (a) Dr. capital account (b) Cr. current account (c) Cr. capital account (d) Dr. current account
20. Which of the following items is not an appropriation of profit for a limited company? (a) Corporation tax payable (b) Preference dividend payable (c) Ordinary dividend payable (d) Debenture interest payable

(20 marks)

SECTION B

QUESTION 1

KOLAWOLE AND SONS TRIAL BALANCE AS AT 31ST DECEMBER 2011	N	N
Purchases	184200	
Revenue		258950
Drawing	7050	
Return inwards	3650	
Return outwards		3100
Discount allowed	5100	
Discount received		4200
Trade Receivables	22500	
Trade Payables		28550
Inventory	17150	
Land	23000	
Motor vehicles at cost	6000	
Furniture at cost	1250	
Accumulated depreciation on motor vehicles		2250
Accumulated depreciation on furniture		500
Cash at bank	2500	
Cash in hand	950	
Salaries	20300	

Carriage inwards	11100	
Carriage outwards	5150	
Printing and stationery	1800	
Electricity and water	7450	
Insurance	3400	
General expenses	17400	
Provision for bad debt		100
Bad debt (already written off)	200	
Capital		35000
Rent received		1900
Commission received		5600
	340150	**340150**

Additional Information:

1. Inventory at 31st December 2011 was valued at N15,900
2. Accrued expenses at 31/12/11 were; salaries N900 and electricity N 40
3. Prepaid expenses at 31/12/11 were insurance N200 and general expenses N250
4. Commission due but yet to be received at 31/12/11 amounted to N400
5. Adjust provision for bad debt to 2% of Trade Receivables and create provision for discount allowable at 1% of Trade Receivables
6. Charge depreciation on fixed assets as follows: Furniture: 20% on cost, Motor vehicle: 10% on cost
7. Rent received in advance at 31/12/11 amounted to N100
8. Goods costing N600 were taken by the owner for private use. This was yet to be recorded in the books.

Required: Prepare the Final Accounts – (20 Marks)

QUESTION 2

Grace and Tola share profits and losses equally. They decided to dissolve their partnership as at 31 December 20X7. Their balance sheet on that date was as follows:

	Naira	Naira
Fixed Assets		
Premises		95,000
Fixtures		22,000
		117,000
Current Assets		
Stock	17,000	
Debtors	14,500	
Cash	5,500	
	37,000	
Less Current Liabilities:		
Creditors	**12,000**	25,000
		142,000
Capitals:		
Grace		82,000
Tola		60,000
		142,000

The debtors were realised for #14,000 and discounts of #500 were received from the creditors. Premises were sold for #100,000 and fixtures were sold for #17,000. Stock was sold for #15,500.

Required:
Prepare Realisation Account, Cash Account and Capital Account of Partners

(15 marks)

QUESTION 3a

Excellence and Success are partners who share profits and losses equally. Their capital accounts have the following balances.

Excellence	N115,000
Success	N105,000

On 1/12/2014 they admitted 5point as a partner and agreed on profit sharing ratio as 1/4, 1/4, and 2/4 for Excellence, Success and 5point respectively.

Goodwill is not to remain in the books and is to be valued on 4 years purchase of business using the information below (calculate using gross average approach)

YEAR	PROFIT
2010	25,000
2011	35,000
2012	45,000
2013	55,000

5point invested ₦200,000 as Capital into the business

Show all workings and ledger entries to record the above transactions if goodwill is not to remain in the books. ***(10 marks)***

3bi) List eight items that could cause differences between the cashbook balance and the bank statement **(4 marks)**

3bii) Identify the procedures to be followed when preparing a bank reconciliation statement

(1 mark)

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MARKING GUIDE

SECTION A

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13. A 14. C 15. D 16. B 17. C 18. C 19. D 20. D

SECTION B

NO 1

KOLAWOLE AND SONS
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2011

Revenue		258,950
Less: Returns inward		-3,650
Net Revenue		255,300
Less: cost of goods sold		
Opening Inventory	17,150	
Purchases (184,200-600)	183,600	
Returns outwards	-3,100	
Carriage inward	11,100	
Cost of goods available for sale	208,750	
Closing Inventory	-15,900	

		192850
Gross profit		62,450
Add: other incomes		
Discount received	4,200	
Rent received	1,800	
Commission	6,000	12,000
		74,450
Less: Expenses		
Discount allowed	5,100	
Salaries (20,300+900)	21,200	
Printing and stationery	1,800	
Carriage outwards	5,150	
Electricity and water (7,450+40)	7,490	
Insurance (3,400-200)	3,200	
General expenses (17,400-250)	17150	
Provisions:		
Bad debt	350	
Discount allowable	225	
Depreciation:		
Motor vehicles (10% x 6,000)	600	
Furniture (20% x 1,250)	250	-62,615
Net profit		11,835

KOLAWOLE AND SONS

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011

	N	N	N
NON CURRENT ASSETS	Cost	Acc. Dep.	NBV
Land	23,000	-	23,000
Motor vehicle	6,000	2,850	3,150

Furniture	1,250	750	500
	30,250	3,600	26,650
Current Assets			
Inventory		15,900	
Trade Receivables	22,500		
Less: provision for bad debts	(450)		
Provision for Discount allowable	(225)	21,825	
Prepayments (200+250)		450	
Accrued income		400	
Cash at bank		2,500	
Cash in hand		950	
		42025	
Current Liabilities			
Trade Payables	28,550		
Accruable (900+40)	940		
Interest receivable in advance	100		
		(29,590)	
Working capital			12435
Net assets			39,085
FINANCED BY			
Owner's Equity :			
Capital at 1/1/05		35,000	
Add: Net profit		11,735	
			46735
Less: Drawings (7,050 + 600)			(7,650)
			39,085

60 Ticks for 20 Marks

NO 2

Realisation

20X7	#	20X7	#
Assets to be realised		Assets sold	

Premises	95,000	Premises	100,000
Fixtures	22,000	Fixtures	17,000
Stock	17,000	Stock	15,500
Debtors	14,500	Creditors: Discounts	500
		Debtors	14,000
		Loss on realisation:	
		Grace	750
		Tola	750
	148,500		148,500

Cash

20X7		#	20X7		#
	Balance b/d	5,500		Creditors	11,500
	Premises	100,000		Capitals:	
	Fixtures	17,000		Grace	81,250
	Stock	15,500		Tola	59,250
	Debtors	14,000			
		152,000			152,000

Capital Accounts

20X7	Grace	Tola	20X7	Grace	Tola
		#		#	#

Loss on realisation	750	750	Balance b/d	82,000	60,000
Cash	81250	59250			
	82,000	60,000		82,000	60,000

NO 3

$Average\ annual\ sales = (25{,}000 + 35{,}000 + 45{,}000 + 55{,}000)/4$

$= N40{,}000$

No of years of purchase = 4

Goodwill = N40,000 X 4

= N160,000

Goodwill A/c

Excellence ½ *160,000	80,000	Excellence 1/4 *160,000	40,000
Success ½ *160,000	80,000	Excellence 1/4 *160,000	40,000
		Excellence 2/4 *160,000	80,000
	160,000		**160,000**

Partner's Capital A/c

Details	**Excellence**	**Success**	**5point**	**Details**	**Excellence**	**Success**	**5point**
goodwill	40,000	40,000	80,000	Bal b/d	115,000	105,000	-
Bal c/d	155,000	145,000	120,000	New capital	-	-	200,000
				Goodwill	80,000	80,000	-
	195,000	**185,000**	**200,000**		**195,000**	**185,000**	**200,000**

3bi)

- **UNPRESENTED CHEQUE**: These are cheques paid out by the firm, but yet to be presented by the payees to the bank for payment. The cheques would have been credited to the cashbook when they were issued, however, due to the fact that they are yet to be presented to the bank for payment, they will not appear in the bank statement.
- **UNCREDITED CHEQUES/LODGEMENTS**: These are cheques/ cash lodged into the bank account by the firm but which are yet to be credited by the bank.
- Bank Charges, commission on turnover (COT), commission on draft and value added tax (VAT).
- Interest on loan and overdraft.
- **Direct debits**: These are payments made directly out of the bank account to persons who had been authorized by the firm to draw money from the account. They are usually used for paying insurance premium.

- **Standing order**: These are regular payments made by the bank on the instruction of the customer. Payment usually made by standing order includes subscription.
- **Dishonoured cheque**: These are cheques earlier credited by the bank but which were later dishonoured by the paying banker. Upon the dishonour, the cheque is debited to the accounts of the firm by the bank
- Interest received on deposit and current account
- Dividend received
- **Traders credit:** These are amounts received directly into the bank account from debtor's accounts who had been instructed to pay directly into the firms account. Traders credit are normally effected by the firm's debtors, instructing their own

bii)

- The procedure is firstly to adjust on the bank balance disclosed in the cashbook and items, which are entered in the bank statement but not in the bank columns of the cashbook. The adjusted amount will represent the true bank balance in the cashbook
- Secondly, adjust on the bank statement balance the amount of any unpresented cheque and lodgment not yet credited by the bank. These adjusted bank statement balance would then agree with the bank balance in the cashbook.

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COURSE CODE: ACC 212 **CREDIT UNIT:** 2
COURSE TITLE: COST ACCOUNTING 1
INSTRUCTION: Answer ALL Questions **TIME:** 2 HOURS

PART I: Multiple Choice Questions (15 marks)

1 The total cost of production can be calculated as
a. overhead cost + indirect costs
b. Direct costs + Prime Cost
c. Prime Cost + Overhead cost
d. Direct materials + direct labour + direct expenses

2 The three methods of interdepartmental overhead apportionment are:
a. Continuous allotment method, elimination method and apportionment method
b. Continuous allotment method, substitution method and simultaneous method
c. Continuous allotment methods, elimination methods and substitution method
d. Continuous allotment methods, elimination method and algebraic method

3 NUASA PLC has the following cost and information relating to three of its departments

Rent	N 4000			
Depreciation	N8000			
		Dept A	Dept B	Dept C
Area occupied in Square units		5000	4000	1000
Value of plant		20,000	10,000	

What is the applicable rate for absorbing Rent?

a. N0.40 b. N0.50

c. N4.0 d. N5.0

4 Using the same information in question 3 above, what is the overhead rate to be used in absorbing depreciation?
a. N0.26 b. N0.67
c. N0.33 d. N0.80

5 .... is an important tool in making informed decisions that maximises profits and minimises losses

a. Cost accounting information
b. Management accounting information
c. Risk examination
d. Financial ratio

6 ...... is also known as full or total costing technique and charges all manufacturing overhead to a product cost and consequently to stock valuation

a. Marginal Costing
b. Absorption Costing
c. Variable costing
d. Financial costing

7. Which of the following methods is used to split mixed costs into their variable and fixed elements?

a. Marginal costing method
b. High and Low Method
c. Absorption costing method
d. Overhead apportionment

8. A unit that accumulates cost but does not generate income is referred to as

a. Cost center
b. Responsibility center
c. Profit center
d. Income center

9. .... is an inventory method used for inventory items that are not ordinarily interchangeable and are uniquely identifiable

a. Last in First Out
b. Specific Identification
c. Weighted Average
d. First in First Out

10. An inventory recording method that assumes that the oldest goods purchased are sold first and the newest goods purchased remain in ending inventory is called ....

a. Simple Average Method
b. First in Last Out
c. Last in Last Out
d. First in First Out

11. In an accounting period, the weighted average cost per unit is calculated as

a. Total cost of goods available for sale/Total units available for sale

b. Total cost of sales/ Total sales
c. Total cost of new stock/Total quantity of stock
d. Total cost of inventory sold/ Total quantity sold

12. In periods of rising prices, the costs assigned to the units in ending inventory are lower than the costs assigned to the units sold. This is a feature of .... inventory method
    a. Last in Last Out
    b. First in First Out
    c. Last in First Out
    d. Weighted Average

13. .... is the fixed point between maximum and minimum stock levels where requisitions are raised for new purchases
    a. Stock Point
    b. Re-order Level
    c. Cycle Time
    d. Average Usage

14. The first step in material / Inventory acquisition is ....
    a. Preparation of Purchase order
    b. Raising a purchase requisition
    c. Advertise for tenders
    d. Seek the supplier with the lowest cost/bid

15. Which of the following is not a condition for installing a cost accounting system?
    a. Meeting The Requirements Of Management
    b. Factory Layout and Production Sequence
    c. Appropriateness
    d. Nature of the Raw Material Utilized

PART II

1. The branch of Accounting that can be defined as the collection and recording of financial data about an organization whether in the private or in the public sector and analyzing the data so collected to suite the decision that needs to be taken and reporting the relevant information in a summary form to the user in a way that is meaning to the user is called..............?
2. .... a location, function or items of equipment in respect of which costs may be ascertained and related to costs-units for control purposes.
3. The total of all the direct costs of a production is called.............?
4. Cost behaviour refers to the way in which costs act within a given level of activity in the organisation. True or false

5. ....is a quantitative unit of product or service in relation to which costs are ascertained?

6. When overhead absorbed exceeds overhead incurred, then it is called................?

7. When overhead absorbed is lower than the amount of overhead incurred, then it is called

8. The total cost of indirect materials, indirect labour and indirect expenses is technically referred to as ---?

9. The process of sharing a common cost over the receiving cost centres on some basis, which is deemed to reflect benefits received is called -------------------------------------?

10. In determining the overhead absorption rate, state the formula to be applied--

11. If Hebron Limited estimated factory overhead costs for the period are N1000, 000 and estimated machine hours are 15000. The factory overhead applicable rate is --------------?

Use the following information to answer questions 12 – 15.

Olams LTD has the following in respect of Locust beans used in the production of food ingredients. Expected usage during the year 5,000,000 tons, Order cost N25, Price per tons N10,000, Holding cost 10% material price

Quantity	No of Order	Ave. Stock	Order Cost	Carrying Cost	Total Cost
250	20,000	125	500,000	...15...	625,000
500	...12...	250	...14...	250,000	500,000
625	8,000	...13...	200,000	312500	512,500

PART III

1. a) Management need differs from time to time, thus there is need to prepare cost accounting information in a manner that will meet management's need. This is a basis for cost classification. Based on your knowledge of cost accounting, what are the ways cost can be classified? Explain each of them. (5marks)

   b) What are the differences between cost accounting and financial accounting? (5marks). Total-10marks

2. Adesola Plc is a manufacturing company that specializes in the production of toilet soaps and Aura brand is their main brand that controls the market share. In 2014, the company produces 20,000 units of Aura but sells only 17,000 units due to harsh competitors. The selling price of the product is N30 per unit, while the variable costs that was used in the production of the soap was N12

per unit. The fixed manufacturing costs are N80, 000, while the fixed administrative costs are N30, 000 and variable selling costs are N2 per unit.

Required

What is the net income of Adesola PLC assuming the manager request that you use the absorption costing technique? Please note that there was no beginning inventory. 10marks

3. **HEAVEN ON EARTH LTD** has three production and two service departments. The overhead analysis sheets provide the following totals analysed into production and services.

Production Dept.	X	N48, 000
	Y	N42, 000
	Z	N30, 000
Service Depart.	P	N14, 000
	Q	N18, 000

The service department's costs are apportioned as follows:

	Production Depts.			Service Dept.	
	X	Y	Z	P	Q
	%	%	%	%	%
Service dept P	20	40	30	-	10
Service Dept Q	40	20	20	20	-

REQUIRED: Using elimination method of inter-departmental overhead apportionment, calculate the total overhead costs charged to the three departments. 10marks

(4) The data below was extracted from the books of Heritage Nigeria Enterprise in relation to the purchase of Locust beans for the Year 2013.

Month	Budgeted Consumption (Units)
January	1,200
February	1,200
March	2,000
April	2,400
May	3,200
June	4,000
July	4,000
August	4,000
September	4,000
October	3,600
November	2,400
December	1,600

Calculate:

1. Maximum stock level
2. Minimum stock level
3. Re-order level
4. Average stock level
5. Stock turnover rate

The delivery period from suppliers is given as follows

Maximum	4 months
Average	3 months
Minimum	2months
Reorder quantity	8000 units

10marks

MARKING GUIDE
ACC 212 2014/2015

SECTION A

1. C
2. D
3. A
4. A
5. A
6. B
7. B
8. A
9. B
10. D
11. A
12. C
13. B
14. B
15. C

SECTION B

1. Cost Accounting
2. Cost centre
3. Prime cost
4. True
5. A cost unit
6. Over-absorption
7. Under-absorption
8. Prime cost
9. Cost appotionment
10. FOAR = estimated factory overhead cost/Estimated base at denominator activity
11. FOAR = N1,000,000/15000 = N66.67/machine hour
12. 10000units
13. 312.5units
14. N250,000
15. N125000

SECTION C

1a)

i. Elements of a product (i.e. product cost)

Cost can be classified in relation with the role it plays in the generation of the total cost of producing a unit of a product. Cost can be classified into direct materials, direct labour and factory overhead.

ii. Relationship to production

This classification is based on how cost is related to production with the major objectives of planning and control. The two categories under the relationship to production are prime costs and conversion costs.

iii. Classification based on behavior

This classification categorizes cost according to its response to changes in production volume and classified as variable, fixed, and mixed. The cost behavior patterns are however applicable only within a company's relevant range.

iv. Ability to trace

Cost may be classified according to management's ability to trace it to specific jobs, departments, sales territories, etc. Cost mat be classified as either direct or indirect.

v. Department where incurred

Costs are classified based on the departments where they are incurred. Costs by departments help management to control overhead costs and to measure income accurately. A department is a major functional division of a business.

vi. Functional areas (activities performed)

Under this method of cost classification, costs are classified according to the activity performed. All costs of an organization may be divided into functional areas, such as manufacturing, marketing, administrative and financing.

vii. Period charged to income

Under this method of cost classification, costs are classified into categories relating to the period they are incurred. Product costs and period costs are the two categories used here.

viii. Relationship to planning, controlling, and decision making.

Costs are classified under this method based on how it assists management in planning, controlling and decision making.

Any 5 points =5marks

b) DIFFERENCES BETWEEN COST ACCOUNTING AND FINANCIAL ACCOUNTING

1. Cost accounting provides information of ascertainment of cost for decision making while financial accounting provides information about the financial performance and financial position of a business.
2. Cost accounting records and presents budgeted data and therefore makes use of both historical costs and predetermined costs while financial accounting uses historical costs.
3. Cost accounting information is used mainly internally for decision making while financial accounting is used by both internal and external users. Internal user is management while external users constitute shareholders, banks and government among others.
4. Cost accounting provides the details of cost and profit of each product, process, job while financial accounting shows the profit/loss of the entire organization.
5. Cost accounting reports are prepared as and when required while financial accounting reports are prepared for a definite period, usually a year.
6. There are no specific formats for presenting cost information but there is a set format adopted for presenting financial information.

Any 5 points =5marks

(2)

Adesola PLC

<u>Net Income Statement using Absorption Costing Technique</u>

Sales (17,000 x N30)	510,000 (1 Mark)
Less Cost of Production:	

Opening stock	---	
Variable costs (N12 x 20,000)	240,000 (1 Mark)	
Fixed cost of production (N4 x 20,000)	80,000 (1 Mark)	
	320,000 (1 Mark)	
Closing stock (N16 x 3,000)	(48,000) (1 Mark)	
Cost of Goods Sold		272,000 (1 Mark)
Gross Profit		238,000 (1 Mark)
Less Non-production expenses		
Variable selling & Admin (N2 x 17, 0000)		(34,000) (1 Mark)
Fixed selling & Admin		(30,000) (1 Mark)
NET INCOME		174,000 (1 Mark)

QUESTION 4

Heritage Nigeria Enterprise

1. **Maximum stock level**

(Re-order level + EOQ) – (Minimum usage * minimum lead time)
(16,000 + 8,000) – (1,200 *2)
N24,000 - 2,400
21,600 units (2 marks)

2. **Minimum stock level**

Re-order level – Average usage * Average lead time
16,000 – (3 months * 2800)
16,000 -8400
7,600 units (2 marks)

3. **Re-order level**

Maximum usage * Maximum lead time
4,000 * 4 months
16,000 units (2 marks)

4. **Average stock level**

Maximum level + Minimum level/ 2

21,600 + 7,600/2 = 14,600 units (2 marks)

5. Stock turnover rate

Material utilized during the period/ Average stock level

33,600/14,600

2.3 times (2 marks)

Total Mark Allocated (10 marks)